

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Assembly Revenue & Taxation Committee Analyst: Gail Hall Bill Number: AB 3078

Related Bills: See Prior Analysis Telephone: 845-6111 Amended Dates: August 4 & 6, 2008

Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

**SUBJECT:** Modify Group Return Provisions / Real Estate Withholding for Certain Non-CA Entities / Other State Tax Credit Claims / TP Advocate Penalty Relief / Increase Threshold for Imposing Estimated Tax Penalty / Eliminate Double Inclusion of Income

X DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended July 2, 2008.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

\_\_\_\_\_ FURTHER AMENDMENTS NECESSARY.

\_\_\_\_\_ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED  
X July 2, 2008, STILL APPLIES.

X OTHER – See comments below.

**SUMMARY**

This bill would do the following:

1. Allow entities to file a tax return on behalf of certain nonresidents.
2. Close loopholes in current tax withholding on the payments nonresident individuals and non-California businesses receive from the sale of California real property.
3. Extend the statute of limitations for claiming the credit for taxes paid to another state.
4. Give discretionary authority to the Taxpayers' Rights Advocate to grant relief from penalties, fees, or interest imposed on a taxpayer because of erroneous actions of the department.
5. Increase the Personal Income Tax (PIT) estimated tax penalty threshold.
6. Clarify the rules for the elimination from income of certain dividends received.

Board Position:

X S                      \_\_\_\_\_ NA                      \_\_\_\_\_ NP  
\_\_\_\_\_ SA                      \_\_\_\_\_ O                      \_\_\_\_\_ NAR  
\_\_\_\_\_ N                      \_\_\_\_\_ OUA                      \_\_\_\_\_ PENDING

Legislative Director

Date

Patrice Gau-Johnson for  
Brian Putler

8/08/08

## SUMMARY OF AMENDMENTS

The August 4, 2008, amendments resolved technical amendment 3 included in the department's analysis of the bill as amended July 2, 2008. Technical amendment 3 changed the operative date for the increased estimated tax penalty threshold.

The August 6, 2008, amendments resolved technical amendments 1 and 2 included in the department's analysis of the bill as amended July 2, 2008, relating to cross referencing.

Except for the "Effective/Operative Date" and "Economic Impact" discussions and resolved technical amendments 1, 2, and 3, the remainder of the department's analysis of the bill as amended July 2, 2008, still applies.

## EFFECTIVE/OPERATIVE DATE

Provision No. 5 that increases the estimated tax penalty threshold, if enacted in the 2008 legislative session, would be effective on January 1, 2009, and specifically operative for taxable years beginning on or after January 1, 2009.

## ECONOMIC IMPACT

The revenue table below was updated to reflect the change in the operative date for Provision No. 5 relating to the estimated tax penalty threshold.

Summary: Estimated Revenue Impact of AB 3078				
Effective January 1, 2009				
Assumed Enactment Date After June 30, 2008				
Provisions	2007-08	2008-09	2009-10	2010-11
Modify Group Return				
General Fund Reserve		+\$ 2,000,000	+\$ 6,000,000	+\$ 6,000,000
Mental Health Services		+\$ 3,000,000	+\$ 7,000,000	+\$ 8,000,000
Real Estate Withholding				
Non-CA S Corporations		+\$ 1,000,000	+\$ 1,000,000	+< \$ 500,000
Non-CA Partnerships		+\$ 7,000,000	+\$ 2,000,000	+\$ 2,000,000
Installment Sales		-<\$ 500,000	+<\$ 150,000	+<\$ 500,000
Other State Tax Credit		-<\$ 250,000	-<\$1,000,000	-<\$1,000,000
Taxpayer Advocate Penalty Relief	-<\$150,000	-<\$ 150,000	-<\$ 150,000	
Estimated Tax Penalty Threshold - \$500		-\$ 500,000	-<\$ 250,000	-<\$ 250,000
Eliminate Double Inclusion of Income		-<\$ 500,000	-<\$ 500,000	-<\$ 500,000
<b>Totals: General Fund</b>	<b>-\$ 50,000</b>	<b>+\$ 8,450,000</b>	<b>+\$ 7,600,000</b>	<b>+\$ 7,400,000</b>
<b>Totals: Mental Health</b>		<b>+\$ 3,000,000</b>	<b>+\$ 7,000,000</b>	<b>+\$ 8,000,000</b>

Note: For purposes of adding totals, estimates of less than \$150,000 were assumed to equal \$50,000; less than \$250,000 equal to \$200,000; less or greater than \$500,000 equal to \$400,000; and less than \$1,000,000 equal to \$800,000.

## **LEGISLATIVE STAFF CONTACT**

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